

AMENDED IN SENATE APRIL 11, 2005

SENATE BILL

No. 769

Introduced by Senator Simitian

February 22, 2005

An act to add Chapter 10.8 (commencing with Section 25940) to Division 15 of the Public Resources Code, *and to add Section 383.7 to the Public Utilities Code*, relating to energy resources, ~~and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 769, as amended, Simitian. Energy Reliability and Affordability Act.

Existing

(1) *Existing* law requires the State Energy Resources Conservation and Development Commission to implement and administer various energy generation and conservation programs in the state.

This bill would ~~enact~~ *establish* the Energy Reliability and Affordability Act, to increase energy reliability and affordability by reducing the demand for energy by residential customers. The bill would create the Energy Reliability and Affordability Fund in the State Treasury, *and would authorize expenditures from the fund, upon appropriation by the Legislature, for specified purposes related to the implementation and administration of the act. The bill would require the commission to establish the Energy Reliability and Affordability Program to, among other things, provide incentives to owners of limited-income rental residential units with energy inefficient refrigerators to replace those refrigerators with more energy efficient models. The bill would require the commission to adopt guidelines and regulations to implement the act. The bill would authorize the*

commission to contract with an appropriate entity to replace refrigerators pursuant to the act.

The bill would require the commission to annually prepare and submit to the Legislature, the Department of Finance, and the Legislative Analyst's Office, a report containing specified information about the effectiveness of the program, as specified.

(2) Under the Public Utilities Act, the Public Utilities Commission (PUC) requires electrical corporations to identify a separate rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. The funds are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources (renewable energy public goods charge).

This bill would require that the PUC, at the earliest possible time, initiate ratemaking proceedings to increase the nonbypassable usage provisions in an amount not less than .006 cents per kilowatthour, or in an amount necessary to generate \$10,000,000 per year to be used for the purposes of the act, whichever is greater. The bill would require that a portion of the moneys collected from that renewable energy public goods charge in an amount equal to \$10,000,000 per year be transferred to the Energy Reliability and Affordability Fund to be held until further action by the Legislature for the purposes of the act. ~~The bill would provide that the moneys in the fund shall be continuously appropriated to the commission, without regard to fiscal year; and, would authorize the expenditure of moneys in the fund by the commission, for the purposes of the act, as provided. The bill would provide that the act shall be implemented by the commission to the extent that funds are available to the commission for the purposes of the bill.~~

Vote: majority. Appropriation: ~~yes~~-no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Chapter 10.8 (commencing with Section 25940)
- 2 is added to Division 15 of the Public Resources Code, to read:

1 CHAPTER 10.8. ENERGY RELIABILITY AND AFFORDABILITY ACT

2
3 25940. This chapter shall be known, and may be cited, as
4 the Energy Reliability and Affordability Act. The purpose of the
5 act is to increase energy reliability and affordability by reducing
6 the demand for energy by ~~residential customers in limited-income~~
7 ~~residential rental units~~ .

8 ~~25940.1 The Legislature finds and declares all of the~~
9 ~~following:~~

10 25940.1 The Legislature finds and declares all of the
11 following:

12 (a) In California, refrigerators consume more energy than any
13 other household appliance and consume more energy than any
14 other residential use besides lighting.

15 (b) Replacing energy inefficient refrigerators in
16 limited-income residential rental units will greatly benefit all
17 energy consumers by reducing peak and overall energy demand.

18 (c) Replacing energy inefficient refrigerators in
19 limited-income residential rental units will further benefit those
20 renters by reducing their energy bills.

21 (d) Reducing energy consumption will reduce air pollution,
22 thus reducing public health risks, health care costs, and
23 environmental degradation. Decreasing air pollution will
24 increase the quality of life for all Californians.

25 (e) The average first use lifespan of a refrigerator is 19 years,
26 and the average age of the refrigerator fleet in California is 11
27 years.

28 (f) Federal energy efficiency standards for refrigerators were
29 set in 1993 and 2001, with each standard requiring an additional
30 30 percent reduction in the appliance's energy consumption.
31 Most refrigerators in California do not meet current minimum
32 federal efficiency standards.

33 (g) The United States Department of Energy and the United
34 States Environmental Protection Agency established the Energy
35 Star program in 1992 to identify and promote energy-efficient
36 products to reduce greenhouse gas emissions. The Energy Star
37 program qualified refrigerator models that use at least 15
38 percent less energy than required by federal energy efficiency
39 standards, and 40 percent less energy than the models that meet
40 the 2001 standard. The Energy Star program-qualified

1 refrigerators require about half as much energy as models
2 manufactured before 1993.

3 (h) Owners of limited-income rental housing units have no
4 incentive to replace older, energy inefficient refrigerators
5 because renters, rather than the owners, typically are the
6 responsible party for the payment of energy bills incurred in
7 those rental units.

8 (i) The Public Goods Charge (PGC) on electricity purchases
9 established pursuant to Section 385 of the Public Utilities Code
10 was created in 1996 to support public purpose programs for
11 energy efficiency, low-income services, renewable energy, and
12 energy-related research and development.

13 (j) Under existing PGC programs, investor owned utilities
14 have replaced approximately 200,000 energy inefficient
15 refrigerators.

16 (k) The PGC is statutorily limited at levels set in 2000.

17 (l) Approximately four to five million households in California
18 have a combined household income equivalent to, or less than,
19 175 percent of the federal poverty level.

20 (m) By increasing the PGC by approximately forty cents
21 (\$0.40) per residential household per year, the California Public
22 Utilities Commission can raise approximately ten million dollars
23 (\$10,000,000) per year to replace 50,000 energy inefficient
24 refrigerators annually in limited income rental housing.

25 (n) Replacing 50,000 energy inefficient refrigerators will save
26 ___ kilowatts per year, which is approximately the amount of
27 kilowatts that would have prevented ___ blackouts in ___ year or
28 the need for ___ powerplants.

29 25940.2. As used in this chapter, the following terms have the
30 following meanings:

31 (a) "Certified appliance recycler" means a person or entity
32 engaged in the business of removing and properly managing
33 materials that require special handling from discarded major
34 appliances, and who is certified pursuant to Section 25211.4 of
35 the Health and Safety Code. "Certified appliance recycler" does
36 not include a person described in subdivision (b) of Section
37 25211.2 of the Health and Safety Code.

38 (b) "Energy efficient refrigerators" means those refrigerator
39 models that meet the 2001 federal energy efficiency standard,
40 and that have also received the Energy Star certification.

1 (c) “Energy-inefficient refrigerators” means those models that
2 do not meet the 2001 federal energy efficiency standard.

3 (d) “Energy Star” means those models of refrigerators that
4 are certified through the United States Department of
5 Energy/United States Environmental Protection Agency Energy
6 Star program.

7 (e) “Fund” means the Energy Reliability and Affordability
8 Fund created pursuant to subdivision (a) of Section 25940.4.

9 (f) “Limited income” means those individuals and households
10 who qualify for assistance under the California Alternative Rates
11 for Energy (CARE) program established pursuant to Section
12 739.1 of the Public Utilities Code, including those persons whose
13 household income does not exceed 175 percent of the federal
14 poverty guidelines. For disabled and senior citizens, the income
15 eligibility guidelines are set at 200 percent of the federal poverty
16 level.

17 (g) “Owner of a limited-income residential rental unit” means
18 the owner of record of any property leased to a limited income
19 individual or household for residential purposes.

20 (h) “Program” means the Energy Reliability and Affordability
21 Program, established pursuant to Section 25940.3.

22 25940.3. (a) The goal of the program established by this
23 chapter is to reduce energy consumption by replacing 50,000
24 energy inefficient refrigerators in limited-income residential
25 rental units each year, utilizing revenues collected pursuant to
26 this chapter, in addition to those refrigerators previously
27 replaced using funds from the public goods charge established
28 pursuant to Section 385 of the Public Utilities Code. The base
29 year for determining any additional program replacements shall
30 be the 2004-05 fiscal year.

31 (b) To accomplish this goal, the commission shall establish the
32 Energy Reliability and Affordability Program, which shall do all
33 of the following:

34 (1) Provide sufficient incentives to owners of limited-income
35 residential rental units with energy inefficient refrigerators to
36 replace those refrigerators with energy efficient models.

37 (2) Provide rebates or other financial incentives that are made
38 available to owners of limited-income residential rental units
39 upon the proof of purchase of the energy-efficient refrigerator

1 *and proof that the inefficient refrigerator is in the control of a*
2 *certified appliance recycler.*

3 *(3) Require that any replacement refrigerator to be in*
4 *operating condition.*

5 *(4) Require that any replacement refrigerators meet or exceed*
6 *2001 energy efficiency standards and meet or exceed the United*
7 *States Department of Energy/United States Environmental*
8 *Protection Agency Energy Star standards for refrigerators.*

9 *(5) Prohibit any refrigerator exchanged as part of this*
10 *program from being refurbished or reused, but permit the*
11 *recycling of metal and other parts of the exchanged refrigerator.*

12 *(6) Prioritize the replacement of the least efficient*
13 *refrigerators.*

14 *25940.4. (a) The Energy Reliability and Affordability Fund is*
15 *hereby created in the State Treasury. The money in the fund may*
16 *be expended by the commission for the implementation and*
17 *administration of this chapter, upon appropriation by the*
18 *Legislature in the annual Budget Act.*

19 *(b) An amount not exceeding 1 percent of the total amount of*
20 *moneys annually deposited in the fund may be expended for*
21 *education and outreach. An amount not exceeding one-half of 1*
22 *percent from the total amount of moneys annually deposited in*
23 *the fund may be expended for administrative costs.*

24 *(c) The fund is a trust fund and shall contain money from all*
25 *interest, and any other proceeds appropriated, transferred, or*
26 *otherwise received for purposes pertaining to this chapter. Any*
27 *appropriations that are made from the fund shall have an*
28 *encumbrance period of not longer than two years, and a*
29 *liquidation period of not longer than four years.*

30 *25940.5. The commission shall adopt guidelines and*
31 *regulations to accomplish the purposes of this chapter.*

32 *25940.6. The commission may contract with an appropriate*
33 *entity to replace refrigerators pursuant to this chapter.*

34 *25940.7. The commission shall consider cost-effectiveness*
35 *when adopting guidelines or regulations for the program, but*
36 *shall give higher priority to reducing the energy costs borne by*
37 *persons who can least afford high energy prices.*

38 *25940.8. The commission shall annually prepare and submit to*
39 *the Legislature, the Department of Finance, and the Legislative*
40 *Analyst's Office a report containing the following information:*

1 (a) The number of rental units in the state that have had
2 refrigerators replaced pursuant to this chapter.

3 (b) The remaining number of eligible units in the state that are
4 in need of refrigerator replacement.

5 (c) The energy savings per participating household.

6 (d) The energy savings for the program as a whole.

7 (e) A map indicating areas where refrigerator replacements
8 have occurred and other areas where refrigerator replacements
9 have not occurred.

10 (f) A description of the administrative and programmatic costs
11 for each refrigerator replaced.

12 (g) A description of outreach and education expenditures.

13 (h) An outreach and education plan for the following fiscal
14 year.

15 (i) A description of any recommended program modifications
16 for the following fiscal year.

17 SEC. 2. Section 383.7 is added to the Public Utilities Code, to
18 read:

19 383.7. (a) The commission shall, at the earliest possible time,
20 initiate ratemaking proceedings to increase the nonbypassable
21 usage based charge on local distribution service imposed
22 pursuant to Section 385 in an amount not less than (.006) cents
23 per kilowatthour, or in an amount necessary to generate ten
24 million dollars (\$10,000,000) per year to be used for the
25 purposes of Chapter 10.8 (commencing with Section 25940) of
26 Division 15 of the Public Resources Code, whichever is greater.

27 (b) A portion of the moneys collected pursuant to subdivision
28 (a) in an amount equal to ten million dollars (\$10,000,000) per
29 year shall be transferred to the Energy Reliability and
30 Affordability Fund created pursuant to subdivision (a) of Section
31 25940.3 of the Public Resources Code, to be held until further
32 action by the Legislature for the purposes of Chapter 10.8
33 (commencing with Section 25940) of Division 15 of the Public
34 Resources Code.

35 ~~—(a) The oldest home appliances, such as refrigerators and~~
36 ~~small air-conditioners, are the least efficient. Those appliances~~
37 ~~consume unnecessary amounts of energy, and should be replaced~~
38 ~~with new, much more efficient appliances. Also, older homes and~~
39 ~~apartments tend to have insufficient amounts of insulation, and~~
40 ~~often have poor weatherstripping, outdated showerheads and~~

1 faucets, and inefficient light bulbs, which waste even more
2 energy.

3 (b) Owners and renters of older homes and apartments are
4 often unable to afford energy saving appliances and devices,
5 which would improve the energy efficiency of those dwellings;
6 and, the modernization of those housing units would greatly
7 benefit all energy consumers by reducing peak energy demand
8 and overall energy demand.

9 (c) The current high cost of energy has made most energy
10 saving improvements even less affordable; yet, the state's
11 residents are in greater need of reducing their energy bills as a
12 result.

13 (d) Air pollution continues to be a major problem in
14 California, which harms the health of our residents, costs our
15 economy billions of dollars related to health care costs, reduces
16 agricultural productivity, and contributes to the deterioration of
17 California's infrastructure, thereby decreasing the quality of life
18 in our state. Reducing energy use will reduce air pollution.

19 25940.2.—As used in this chapter, the following terms have
20 the following meanings:

21 (a) "Certified local community conservation corps" means
22 public or private nonprofit agencies that meet the requirements of
23 Section 14406.

24 (b) "Fund" means the Energy Reliability and Affordability
25 Fund created pursuant to Section 25940.3.

26 (c) "Local community based organization" means ____.

27 (d) "Program" means the Energy Reliability and
28 Affordability Act Program established pursuant to this chapter.

29 25940.3. (a) All funds received pursuant to this chapter shall
30 be deposited in the Energy Reliability and Affordability Fund,
31 which is hereby created in the State Treasury.

32 (b) Notwithstanding Section 13340 of the Government Code,
33 the moneys in the fund shall be continuously appropriated to the
34 commission, without regard to fiscal year.

35 25940.4. Any activity proposed to be funded pursuant to this
36 chapter shall be in compliance with Division 13 (commencing
37 with Section 21000).

38 25940.5.—The commission may expend the money in the
39 fund for the following purposes:

1 ~~(a) To provide sufficient incentives to owners of old and~~
2 ~~inefficient home appliances, including, but not limited to,~~
3 ~~refrigerators, freezers, and room and other types of~~
4 ~~air-conditioners, to exchange these appliances for new~~
5 ~~appliances, or retire the old appliances. Appliances to be~~
6 ~~exchanged or retired shall be in operating condition. New~~
7 ~~refrigerators and freezers shall meet or exceed the United States~~
8 ~~Department of Energy October 2000 standards. New~~
9 ~~air-conditioning equipment shall meet or exceed the~~
10 ~~commission's applicable standards. In determining which~~
11 ~~appliances are eligible for the incentives provided by the~~
12 ~~program, the commission shall require that the most efficient~~
13 ~~appliances be purchased pursuant to this program, taking into~~
14 ~~consideration market availability.~~

15 ~~(b) To provide financial incentives for residential property~~
16 ~~owners to add insulation, install weatherstripping, replace~~
17 ~~inefficient light bulbs, and implement other low-cost,~~
18 ~~cost-effective energy conservation improvements.~~

19 ~~25940.6. The commission may do all of the following to~~
20 ~~implement the program:~~

21 ~~(a) Provide for rebates or other financial incentives to~~
22 ~~implement this act.~~

23 ~~(b) Use the money in the fund to publicize the program, except~~
24 ~~that the commission shall not use more than 1 percent of the~~
25 ~~funds for this purpose.~~

26 ~~(c) Expend money in the fund for administration of the~~
27 ~~program, except that the commission shall not spend more than~~
28 ~~one-half of 1 percent of the funds for that purpose.~~

29 ~~(d) Adopt guidelines or regulations to carry out this chapter.~~

30 ~~(e) Contract with an appropriate entity to implement and~~
31 ~~administer this chapter.~~

32 ~~(f) Open exchange centers, or develop other convenient~~
33 ~~means, for the owners of appliances to trade them in for more~~
34 ~~efficient appliances and to carry out the other provisions of this~~
35 ~~act.~~

36 ~~25940.7. (a) A person or entity implementing subdivision (a)~~
37 ~~of Section 25940.5 pursuant to a contract with the commission~~
38 ~~shall do all of the following:~~

39 ~~(1) Assist in the pick up of an old appliance.~~

~~(2) Certify to the commission that the energy inefficient model was or will be destroyed or dismantled in an environmentally sound manner. No appliance exchanged as part of this program shall be refurbished or reused, but metal and other parts may be recycled.~~

~~(3) Carry out recycling of major appliances, as defined in Section 42166, in compliance with Article 10.1 (commencing with Section 25211) of Chapter 6.5 of Division 20 of the Health and Safety Code, and Chapter 3.5 (commencing with Section 42160) of Part 3 of Division 30 of the Public Resources Code.~~

~~(b) The commission shall give first and highest priority to contracting with local community-based organizations, certified local community conservation corps and the California Conservation Corps in carrying out this act.~~

~~25940.8. (a) The moneys in the fund shall, to the greatest extent possible, be used to reduce the cost of energy for persons who can least afford high energy prices. The commission shall give highest priority to using the funds for improving the energy efficiency of housing owned or occupied by low-income persons.~~

~~(b) The commission shall consider cost effectiveness in reducing energy demand in adopting guidelines or regulations for the program, but shall give higher priority to reducing the energy costs borne by persons who can least afford high energy prices.~~

~~SEC. 2. The Energy Reliability and Affordability Act established pursuant to Chapter 10.8 (commencing with Section 25940) of Division 15 of the Public Resources Code shall be implemented by the State Energy Resources Conservation and Development Commission, to the extent that funds are available to the commission for those purposes.~~

CORRECTIONS:

Text – Pages 5, 6, and 7.